

FISCAL NOTE

SB 3795 - HB 3391

February 26, 2008

SUMMARY OF BILL: Amends the retirement law by authorizing a deferred retirement option plan (DROP) for eligible employees under the Tennessee Consolidated Retirement System (TCRS).

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$27,573,000 Annual Amortized Cost
Increase Local Expenditures - \$5,974,000* Annual Amortized Cost
Exceeds \$15,000,000/Permissive

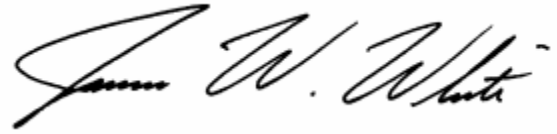
Other Fiscal Impact – Increase Federal/Other Expenditures:
\$6,204,000 Annual Amortized Cost

Assumptions:

- Increase lump sum pension liability of \$386,040,000
- A 20-year amortization of the lump sum liability.
- Administrative costs of \$411,000 for six positions and related costs in the Division of Retirement are included in the first year cost.
- Only those employees who would benefit from a DROP were considered in the analysis.
- Cost was developed assuming a five-year DROP period.
- Permissive annual costs to local governments estimated to be in excess of \$15 million if all entities authorize this bill.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

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